

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Annual Compliance Review, 2022

Docket No. ACR2022

CHAIRMAN'S INFORMATION REQUEST NO. 11  
AND NOTICE FILING UNDER SEAL

(Issued February 8, 2023)

To clarify the basis of the Postal Service's FY 2022 *Annual Compliance Report* (ACR), filed December 29, 2022,<sup>1</sup> the Postal Service is requested to provide written responses to the following questions. Answers should be provided to the individual questions as soon as they are developed, but no later than February 15, 2023.

**Competitive International Mail**

1. Please refer to the Response to Chairman's Information Request (CHIR) No. 7, question 14.<sup>2</sup> Please confirm whether International Money Transfer Service (IMTS)-Inbound money orders can be cashed if an agreement providing IMTS-Inbound has been terminated.
  - a. If confirmed, please indicate how long after an agreement has been terminated that associated money orders may still be cashed. In the response, please specify whether this varies by agreement or is the same for all agreements.
  - b. If not confirmed, please explain.

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<sup>1</sup> United States Postal Service FY 2022 *Annual Compliance Report*, December 29, 2022 (FY 2022 ACR).

<sup>2</sup> Responses of the United States Postal Service to Questions 1-30 of Chairman's Information Request No. 7, February 3, 2023 (Response to CHIR No. 7).

2. Please provide estimates of IMTS-Inbound money orders issued in Fiscal Year (FY) 2022 that were not cashed and may be cashed in the future.
3. Please see Attachment, filed under seal.

### **Market Dominant Special Services**

4. Please refer to the Response to CHIR No. 7, question 19, related to Address Management Services (AMS).<sup>3</sup>
  - a. In the response, the Postal Service provided Revenue, Pieces, and Weight (RPW) revenue and direct labor costs for each service (*i.e.*, subproduct) in AMS.<sup>4</sup> However, for several of those subproducts (*i.e.*, Address Sequencing, Address Element Correction II, Address Information System Viewer, Delivery Point Validation System, Extended Mail Forwarding, Location Address Conversion Service, Official National Zone Charts, and Residential Delivery Indicator Service) the Postal Service provided revenues, but not direct labor costs. See *id.* For these services, please confirm that there were no direct labor costs attributable to them and that their only relevant costs are joint costs caused by the collection of AMS services related to General Management, Supplies and Services, and IT. See *id.*, question 19.b. If not confirmed, please update the file provided with the Response to CHIR No. 7, question 19.b. and provide the relevant costs.
  - b. Please confirm that the Postal Service uses the In-Office Cost System (IOCS) to attribute costs to the AMS subproducts. If not confirmed, please describe the methodology used for each subproduct.

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<sup>3</sup> Responses of the United States Postal Service to Questions 1-30 of Chairman's Information Request No. 7, February 3, 2023, question 19 (Response to CHIR No. 7).

<sup>4</sup> Response to CHIR No. 7, Zip file "ACR22\_CHIR 7\_USPS Resp Public Attachments.zip," folder "CHIR 7 Q 19," Excel file "CHIR No. 7 Q19B.xlsx."

- c. Revenue for AMS increased from \$14.7 million in FY 2021 to \$27.8 million in FY 2022, with a related cost coverage improvement of 274.74 percentage points between FY 2021 and FY 2022. Response to CHIR No. 7, question 19.a. The Commission observes that the revenue increase is primarily driven by three subproducts: Delivery Sequence File – 2<sup>nd</sup> Generation (DSF2) Service, Extended Mail Forwarding, and National Change of Address (NCOA Link) Service.<sup>5</sup>
- i. Please discuss the drivers underlying the revenue increase of \$1,797,292 between FY 2021 and FY 2022 for DSF2 including relevant price increases, volume shifts, or any other contributing factors.
  - ii. Please discuss the drivers underlying the \$6,039,259 in revenue for Extended Mail Forwarding including volume and any other contributing factors. In the response, please elaborate on the factors that caused this subproduct in its first year to comprise 21.71 percent of the total FY 2022 AMS revenue.
  - iii. Please discuss the drivers underlying the revenue increase of \$4,475,367 between FY 2021 and FY 2022 for NCOA Link including relevant price increases, volume shifts, or any other contributing factors.
- d. Costs for AMS increased only 1.26 percent between FY 2021 and FY 2022, from \$4.62 million in FY 2021 to \$4.68 million in FY 2022. Please explain why revenue increases far outpaced cost increases between FY 2021 and FY 2022 for this product. In the response, please discuss ways in which the Postal Service actively tried to limit AMS costs

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<sup>5</sup> *Id.*, Zip file “ACR22\_ChIR 7\_USPS Resp Public Attachments.zip,” folder “ChIR 7 Q 19,” Excel file “ChIR No. 7 Q19B.xlsx.”

and whether the Postal Service implemented any specific strategies related to cost minimization.

### **Periodic Reporting**

5. Please refer to each tab in Library Reference USPS-FY22-37, December 29, 2022, Excel file "IOCS CV Summary FY22 Public.xlsx," in which the Postal Service identifies the "Cost Estimate" (Cost Est.) and the "Mean."
  - a. Please define the "Mean" for all tabs and how it was derived.
  - b. Please explain why the "Cost Est." differs from the "Mean."
  - c. Please explain why the "Cost Est." was used as the denominator and not the "Mean" to calculate the Coefficient of Variation (CV).
6. Please refer to Library Reference USPS-FY22-37, Excel file "IOCS CV Summary FY22 Public.xlsx," tab "Mail Proc," cell A1, wherein the Postal Service identifies the "[s]ource for means and variances" as "boot\_cra\_mp.22.2000." Please provide the location of this file.
7. Please refer to Library Reference USPS-FY22-37, Excel file "IOCS CV Summary FY22 Public.xlsx," under the "Admin," "Claim Inq," and "Window" tabs at cell A1, wherein the Postal Service identifies the "[s]ource for means and variances" as "boot\_cra\_admwin.22.2000." Please provide the location for this file.
8. Please refer to Library Reference USPS-FY22-37, Excel file "IOCS CV Summary FY22 Public.xlsx," tab "CityCarriers," cell A1, wherein the Postal Service identifies the "[s]ource for means and variances" as Excel file "tally22q4\_CLv2\_bc.sas7bdat & boot\_clus\_carr\_FY22.xlsx." Please provide the location for this file.
9. Please refer to Library Reference USPS-FY22-37, Excel file "IOCS CV Summary FY22 Public.xlsx," tab "Supervisors(NonCluster)," cell A1, wherein the Postal

Service identifies the “[s]ource for means and variances as  
“boot\_super.22.2000.” Please provide the location for this file.

10. Please refer to Library Reference USPS-FY22-37, Excel file “IOCS CV Summary FY22 Public.xlsx,” tab “CarrierAsSupervisor,” cell A1, wherein the Postal Service identifies the source for means and variances as Excel file  
“tally22q4\_CLv2\_bc.sas7bdat&boot\_clus\_carrsupv\_FY22.xlsx.” Please provide the location for this file.

### **Service Performance**

**For the following questions, if the Postal Service chooses to respond using a graphical or tabular representation of data, please file the underlying data in the form of an Excel spreadsheet. Such spreadsheets shall preserve all data links and show all formulas used, including volumes and other weighting factors.**

11. Please refer to the Response to CHIR No. 7, question 30, regarding the impact that the service standard changes proposed in Docket No. N2021-1 had on the FY 2022 service performance scores for First-Class Mail. Please confirm that the responses are the same in all material respects regarding the impact that the service standard changes proposed in Docket No. N2021-1 had on the FY 2022 service performance scores for Periodicals. If not confirmed, please explain.
12. Please refer to the Postal Service’s responses to information requests in Docket No. ACR2021, in which it explains that it is unable to isolate and quantify the impact of individual improvement initiatives on service performance results.<sup>6</sup>

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<sup>6</sup> See, e.g., Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-36 of Chairman’s Information Request No. 2, January 25, 2022, questions 8.a.-c., 26.b.-d., 27.c.-d., 28.b.-c., 29.b.-d., 31.b.-d.; Docket No. ACR2021, Responses of the United States Postal Service to Questions 1-15 of Chairman’s Information Request No. 6, February 1, 2022, question 2.b., 3.b.-c., e., 13.b.; Docket No. Responses of the United States Postal Service to Questions 1-21 of Chairman’s Information Request No. 11, February 11, 2022, questions 8.c.-e., 9.b.-c., 10.c.-d.

- a. Please confirm that the Postal Service remains unable to isolate and quantify the impact of individual improvement initiatives on service performance results.
  - b. If not confirmed, please identify for which improvement initiatives the Postal Service can isolate and quantify the impact on service performance results, identify the metrics used, and provide such quantification.
- 13. Please refer to Docket No. N2021-1 regarding changes in the mode of transportation for First-Class Mail and end-to-end Periodicals. Please also refer to the Postal Service's Response to CHIR No. 8, question 3, regarding the impact of these changes on First-Class Mail.<sup>7</sup>
  - a. Please provide the percentage of Periodicals volume using air transportation at the beginning of FY 2022 and the end of FY 2022.
  - b. Please provide the percentage of Periodicals origin-destination pairs using air transportation at the beginning of FY 2022 and the end of FY 2022.
  - c. Please provide an estimate for the cost savings that were achieved during FY 2022 by the shift of Periodicals from air transportation to ground transportation and an explanation for how the cost savings were calculated.

### **Domestic Competitive Products**

- 14. Please see Attachment, filed under seal.
- 15. Please see Attachment, filed under seal.
- 16. Please see Attachment, filed under seal.
- 17. Please see Attachment, filed under seal.

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<sup>7</sup> Responses of the United States Postal Service to Questions 1-3 of Chairman's Information Request No. 8, February 6, 2023 (Response to CHIR No. 8).

18. Please see Attachment, filed under seal.

19. Please see Attachment, filed under seal.

By the Chairman.

Michael Kubayanda